



Bull Market vs Bear Market: Understanding Market Cycles

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Introduction to Market Cycles

What Are Market Cycles?

Market cycles are the natural fluctuations in stock prices over time, driven by economic conditions, investor sentiment, and corporate performance.

Key Phases:

- ▶ Expansion
- ▶ Peak
- ▶ Contraction
- ▶ Recovery
- ▶ Understanding these cycles helps investors make informed decisions.

What Is a Bull Market?

Definition

A bull market is a period when stock prices rise consistently and investor confidence is high.

Characteristics:

- ✓ Rising stock prices
- ✓ Strong economic growth
- ✓ High investor confidence
- ✓ Increasing corporate profits
- ✓ Low unemployment

Example: The post-pandemic market rally from 2020–2021.

What Is a Bear Market?

Definition

A bear market occurs when stock prices decline by 20% or more from recent highs and pessimism dominates investor sentiment.

Characteristics:

- ✓ Falling stock prices
- ✓ Economic slowdown
- ✓ Increased market volatility
- ✓ Lower corporate earnings
- ✓ Fear-driven selling

Example: Global market decline during the 2008 Financial Crisis.

Bull Market vs Bear Market



Factor	Bull Market	Bear Market
Market Direction	Rising	Falling
Investor Sentiment	Optimistic	Pessimistic
Economic Growth	Strong	Weak
Corporate Earnings	Increasing	Declining
Risk Appetite	High	Low

Key Takeaway: Market sentiment often drives investment behaviour.

Causes of Bull Markets

Major Drivers

- ▶ Strong GDP growth
- ▶ Lower interest rates
- ▶ Positive corporate earnings
- ▶ Government stimulus measures
- ▶ Technological innovation
- ▶ Increased consumer spending

Bull markets often reflect confidence in future economic growth.

Causes of Bear Markets

Common Triggers

- ▶ Economic recession
- ▶ Rising inflation
- ▶ Higher interest rates
- ▶ Geopolitical tensions
- ▶ Weak corporate earnings
- ▶ Financial crises

Bear markets are often fuelled by uncertainty and fear.

Investment Strategies for Each Market

During a Bull Market

- ▶ Invest in growth stocks
- ▶ Increase equity exposure
- ▶ Stay invested for long-term gains
- ▶ Avoid emotional profit booking

During a Bear Market

- ▶ Focus on quality companies
- ▶ Diversify investments
- ▶ Consider defensive sectors
- ▶ Use SIPs to average costs

Historical Market Examples

Famous Bull Markets

- ▶ 1982–2000 U.S. Bull Market
- ▶ 2020–2021 Global Recovery Rally

Famous Bear Markets

- ▶ 2008 Global Financial Crisis
- ▶ 2020 COVID-19 Market Crash

Lesson: Every bear market has eventually been followed by a recovery.

Conclusion

Key Takeaways

- ✓ Market cycles are a normal part of investing.
- ✓ Bull markets create wealth through rising prices.
- ✓ Bear markets offer opportunities to buy quality assets at lower valuations.
- ✓ Long-term investors should focus on discipline rather than short-term market movements.

Final Thought

"Successful investing is not about predicting market cycles; it's about preparing for them."